

VZCZCXRO9015

RR RUEHAST RUEHDBU RUEHFL RUEHLA RUEHLN RUEHMRE RUEHPOD RUEHROV RUEHSR
RUEHVK RUEHYG
DE RUEHAH #0768/01 2140915
ZNR UUUUU ZZH
R 020915Z AUG 07
FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC 9099
INFO RUCNCIS/CIS COLLECTIVE
RUCNOSC/OSCE POST COLLECTIVE
RUEHLM/AMEMBASSY COLOMBO 0475
RUEHKA/AMEMBASSY DHAKA 0497
RUEHIL/AMEMBASSY ISLAMABAD 2185
RUEHBUL/AMEMBASSY KABUL 0934
RUEHKP/AMCONSUL KATHMANDU 0232
RUEHNE/AMEMBASSY NEW DELHI 0982
RUEHCG/AMCONSUL CHENNAI 0150
RUEHCK/AMCONSUL KARACHI 0199
RUEHCI/AMCONSUL KOLKATA 0121
RUEHLH/AMCONSUL LAHORE 0135
RUEHBI/AMCONSUL MUMBAI 0160
RUEHPW/AMCONSUL PESHAWAR 0473
RHEBAAA/DEPT OF ENERGY WASHDC
RHMFIUU/CDR USCENTCOM MACDILL AFB FL
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHINGTON DC//DHO-2/REA/NMJIC-J2//
RHEHNSC/NSC WASHDC
RUEKJCS/JOINT STAFF WASHINGTON DC//J5/RUE//
RUEKJCS/SECDEF WASHINGTON DC

UNCLAS SECTION 01 OF 03 ASHGABAT 000768

SIPDIS

SIPDIS

SENSITIVE

STATE FOR SCA/CEN, SCA/A, EUR/ACE, EEB

E.O. 12958: N/A

TAGS: PGOV PREL EAID ENRG AF TX

SUBJECT: TURKMENISTAN: AFGHANISTAN'S "UNPROFESSIONAL" BEHAVIOR
FRUSTRATES MINISTRY OF ENERGY AND INDUSTRY

REF: A. ASHGABAT 0660

1B. ASHGABAT 0523

1C. ASHGABAT 0317

ASHGABAT 00000768 001.2 OF 003

11. (U) Sensitive but unclassified. Not for public internet.

SUMMARY

12. (SBU) Turkmenistan's Ministry of Energy and Industry Foreign Economic Affairs Department Chief Eziz Berdimyradov blasted Afghanistan's approach to negotiating increased electrical sales as "unprofessional" and questioned whether a firm buyer exists in Afghanistan for Turkmenistan's available electricity during a July 24 meeting with USAID Deputy Assistant Administrator (DAA) Drew Luten. Berdimyradov advised that there were no changes in Turkmenistan's positions since his last meeting with DAS Evan Feigenbaum (Reftel A) and repeated that requests for construction to be completed by end-2008 were unrealistic. He acknowledged that commercial issues related to a power purchase agreement (PPA) was the "right question," but suggested such discussions were premature since the Cabinet of Ministers, not the ministry, was responsible for setting prices for power sales. Berdimyradov said that the USG had offered to facilitate a trilateral meeting with U.S. and Afghan representatives and encouraged such a meeting to be organized. Post recommends that this meeting also include other international donors involved in building Afghanistan's power grid so that Turkmenistan can make commercial decisions on whether to invest funds in this project. In response to the question of signing a Memorandum of Understanding (MOU) for USAID's Regional Electricity Markets Assistance Project (REMAP), Berdimyradov replied that "the best way

to cooperate with USAID is to finish the project in Afghanistan."

NOTHING'S CHANGED FOR US...WHAT ARE YOUR UPDATES?

¶3. (SBU) Deputy Minister of Energy and Industry Orazgulyev Yarmukhammed and Foreign Economic Affairs Department Chief Eziz Berdimyradov welcomed the delegation led by USAID DAA Drew Luten because Minister Yusup Dawudov was attending to a Tajik delegation focused on purchasing Turkmenistan's electricity. (NOTE: Tajikistan concluded a deal for 1bn kWh of electricity from October 2007 until April 2008 at 2.1 cents per kWh. END NOTE.) Following Luten's statement that it was important to understand Turkmenistan's priorities in this sector, Berdimyradov responded that the ministry closely cooperated with the United States on supplying energy to Afghanistan and had met with many recent delegations on this issue (Reftels B and C). Since the June 25 meeting between Minister Dawudov and Deputy Assistant Secretary Evan Feigenbaum to discuss how the United States might assist with ongoing negotiations for increased supply of Turkmenistan's electricity to Afghanistan, nothing had changed with regard to its negotiations with Afghanistan.

¶4. (SBU) Berdimyradov stated that Turkmenistan's goal was to sell Afghanistan 300 MW of electricity at the border. (NOTE: It was about this time in the meeting when the power in the ministry's new building cut off. The rest of the meeting was held in intermittent natural light and flickering electricity. END NOTE.) After a joint feasibility study, Turkmenistan proposed to construct a 500 KV transmission line over the 400km to the Imamnazar border point. Regarding Afghanistan's ongoing activities, Berdimyradov said that Afghanistan still wants to build a 220 KV line to Mazar-i-Sharif. The proposed routing of the border crossing has been changed, and possibly will change again. "What are your updates?" he asked.

¶5. (SBU) Based on information provided by USAID Kabul, DAA Luten confirmed that USAID is prepared to finance a 500/220 KV substation

ASHGABAT 00000768 002.2 OF 003

in Afghanistan if certain conditions were met. Berdimyradov interjected that in recent discussions, Afghanistan had asked to build the substation in Turkmenistan (COMMENT: Presumably to have Turkmenistan shoulder the costs. END COMMENT), but since the Mazar-i-Sharif-to-Kabul line operated at 220 KV, by running a 500 KV line all the way to Mazar-i-Sharif and building a substation near there would increase the overall capacity of Afghanistan's grid. While cheaper, the proposed 220 KV line to Mazar-i-Sharif would limit Afghanistan's ability to increase capacity in the future. Although a 500 KV line was initially more expensive, it was cheaper than building two 220 KV lines. Luten clarified that USG financial guidelines require that a USAID-financed substation would indeed be located in Afghanistan.

AFGHANISTAN'S APPROACH "UNPROFESSIONAL"

¶6. (SBU) Calling their approach to negotiations "unprofessional," Berdimyradov criticized Afghanistan's recent proposal to transfer the border crossing point to Kelif to save costs. He noted that this would require the lines to cross the Amu-Darya River twice, thereby increasing costs to Turkmenistan. Although this was the shortest straight line, there are no roads or other infrastructure along this route. Furthermore, 500 KV lines are normally laid along roads, and Turkmenistan's proposed route via Imamnazar currently has both roads and existing lines. Asked by Luten whether this had been communicated to Afghanistan, Berdimyradov confirmed that it had, but said that it was the route preferred by Afghanistan since it shortened the amount of electrical line to be constructed in Afghanistan by 80 km.

WHO'S THE BUYER?

¶7. (SBU) During the "first meeting" with USAID representatives, Berdimyradov said that a completion date of end-2008 had been set. (NOTE: Presumably, he referred to the May 21 meeting with former U.S. Ambassador to Afghanistan, Ronald Neumann. Reftel C. END NOTE.) Recognizing the significant potential costs required for construction in Afghanistan (Note: Estimated at \$80 million, based

on approximately 250 km at \$200,000/km, plus substation. End note.), Berdimyradov claimed that Turkmenistan faced potential costs of its own of \$300 million for electrical lines, new turbines and a substation. Before committing to such expenses, he wondered if Afghanistan had the money to pay for electricity purchases. Since this question remained unanswered, the ministry did not think an end-2008 completion date was realistic.

¶ 18. (SBU) USAID/E&E Office of Economic Growth Director Maureen Dugan asked about the possibility of signing a power purchase agreement (PPA). Berdimyradov said that the Turkmenistan side discusses technical issues every time with visiting delegations, but acknowledged that the parties need to agree on a price. The issue of price was the Cabinet of Ministers' responsibility. Although he thought it was premature to discuss, it was the "right question." "But who will pay the electricity?" he asked.

STEPS FORWARD

¶ 19. (SBU) Recognizing that time was passing with each discussion, Berdimyradov said that in a past meeting, the United States had offered to help facilitate a future meeting of the parties with USAID Kabul's assistance (Reftel B). To this end, he encouraged Kabul to organize such a meeting.

¶ 110. (SBU) In light of previous USAID proposals to include Turkmenistan in USAID/CAR's REMAP project, Dugan asked whether the ministry would be willing to sign an MOU with USAID on cooperation

ASHGABAT 00000768 003 OF 003

in the future. (COMMENT: Two days before the meeting, two ministry participants, including the Deputy Minister Orazgulyev who sat silently through the meeting, were unable to obtain U.S. visas due to lack of Cabinet of Ministers' approval. Presumably, a signed MOU would help to avoid such situations in the future. END COMMENT.) Berdimyradov responded that the ministry had signed a number of MOUs with many parties in the past, but the "best way to cooperate with USAID is to finish the project in Afghanistan." The Ministry of Energy and Industry does not deal with oil and gas. Its main responsibility is to generate and transmit electricity and increase export capacity. Again, this was "the best way to cooperate."

COMMENT

¶ 111. (SBU) Frustrations with Afghanistan over negotiations for potential increased electrical sales are clearly rising in Turkmenistan. President Karzai secured the minor concession from Turkmenistan of \$300,000 of free electricity during his July 5 visit to Ashgabat, but does not appear to have raised the issue of a price for future sales, a critical component of a potential PPA. As reported previously, the ministry is not empowered to set prices, so it will remain focused on technical issues until price issues are resolved at higher levels. Even then, the issue of who will pay for Afghanistan's imports of Turkmenistan's electricity is not apparent, which prevents Turkmenistan from making serious investment and construction decisions.

¶ 112. (SBU) COMMENT CONTINUED: Lack of clear information on the status of USG- and multilateral-funded projects in Afghanistan also limits Turkmenistan's ability to move forward confidently. If the various donors active in Afghanistan cannot definitively state the conditions under which infrastructure projects will proceed, Turkmenistan cannot be expected to commit the necessary hundred of millions necessary for constructing its part of the bargain. END COMMENT.

¶ 113. (U) DAA Luten did not have the opportunity to clear this cable before departing Turkmenistan.

HOAGLAND